

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3262 – HB 3601

March 27, 2012

SUMMARY OF AMENDMENT (015746): Deletes all language after the enacting clause. Authorizes the Board of Trustees, as it relates to the Tennessee Consolidated Retirement System (TCRS), to invest plan assets in strategic lending investments. Increases from five to ten percent the maximum allowable percentage of total TCRS assets, based on market value, which may be invested in private equity investments. The authority allowing the Board of Trustees to invest plan assets in strategic lending investments shall expire on December 31, 2017, provided that such expiration will not affect commitments entered into prior to the expiration date, nor shall it affect investments made subsequent to the expiration date that are made pursuant to those commitments.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Potential rate of return increases for Tennessee Consolidated Retirement System assets with minimal increase in investment risk. Otherwise, the fiscal impact is considered not significant.

Assumptions applied to amendment:

- According to TCRS, this bill as amended will provide additional flexibility to invest in other private equity investments such as strategic lending and those investing in fixed income instruments other than mezzanine and distressed debt.
- TCRS indicates that expanding the number of fixed income strategies independent of ratings in the private equity portfolio will improve the returns for the retirement system with a small increase in risk.
- TCRS indicates a possible rate of return increase of approximately eleven basis points, the equivalent of approximately \$40,000,000.
- TCRS indicates that minimal incremental costs will be associated with the expanded investment opportunities.

SB 3262 – HB 3601

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc